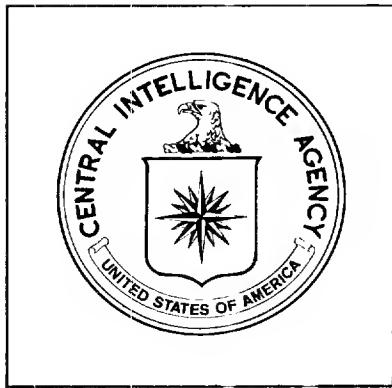


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STAFF NOTES:

Latin American Trends

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LATIN AMERICAN TRENDS

This publication is prepared for regional specialists in the Washington community by the Western Hemisphere Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Brazil: Concern Over Liberalization

President Geisel's program of liberalization has engendered a good deal of strong sentiment among its civilian supporters as well as conservative military opponents--probably more because of what it implies than what it has proven to be thus far.

Enemies and proponents alike seem to feel that it ultimately means a substantial decrease of the military's role in government. Thus opponents point to the dangers of creating an atmosphere of laxness that could embolden subversives and irresponsible politicians. They also fear a loss of their prestige. Supporters of liberalization hope to achieve a greater voice in decision making and a return to the "state of law" in which civil legal procedures prevail. Because the liberalization effort so far has been highly tentative and does not necessarily presage any fundamental change, both the optimism of politicians and the concern of military conservatives appear exaggerated, if not unjustified.

Thus far Geisel has given no firm indication that he plans truly sweeping changes. Moreover, his actions to date have been cautious and always subject to modification, as in the case of the on-again-off-again censorship of the press. In addition, the Geisel program has consisted mainly of easily implemented, high-visibility moves--such as the appointment of two former politicians to cabinet posts, and publicized contact with the clergy. Nor has liberalization affected in any notable fashion the administration's authoritarian methods. Indeed, the very decision to ease political restraints came down from Geisel's small, closed circle of advisers. The administration's decision to abide by the results of last fall's unfavorable congressional elections has resulted in the presence in congress of a number of highly vocal dissidents. Yet their presence has had little if any

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discernible impact on policy making. Economic policy, the regime's principal concern, continues to be strictly the administration's preserve, as does foreign policy. Indeed, when the congressional dissidents tried to convoke an investigation into violations of human rights, a particularly sensitive area, the government simply told its legislative majority to quash the move.

The extent and effect of conservative military opposition to liberalization is considerable and accounts for some, but not necessarily all, of Geisel's caution. Indeed, there is nothing in his previous background or in his early policy moves to suggest a strong inclination to restore civilian rule. What does appear, however, is a desire to use the rather considerable powers that the regime has in moderation, to avoid unduly arbitrary actions, and to phase out the use of crude methods, notably torture. Viewed in this light, liberalization to date has been largely a question of style and procedure.

Nonetheless, what Geisel clearly has done is to lay the basis for a prolonged, widened discussion of national issues, at least those that do not strike at the very basis of the regime. By initiating even a controlled dialogue, Giesel has departed substantially from the attitudes of his predecessors. (CONFIDENTIAL)

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Argentina: Further Restrictions on the News Media

The government recently issued a decree forbidding domestic media to circulate news items about events in Argentina that have been supplied by foreign news agencies. The decree, aimed chiefly at wire services based in neighboring countries--and particularly in Uruguay--will in effect force these services to rely on the official Argentine news agency TELAM. The decree further stipulates that foreign as well as domestic news agencies operating in Argentina must register with the government within ninety days or face suspension of their operations. Moreover, correspondents working for foreign agencies are also required to comply with the new law, and failure to do so could result in their expulsion from Argentina.

The presidential press office stated that the new measure is "indispensable" in assuring the public it is receiving "adequate information about the reality of the facts." The decree is yet another step in the increasing government censorship of information. (See Latin American Trends, May 7, 1975). Domestic newspapers have been prohibited from publishing foreign news material about Argentina since August 1973. At that time the controls were aimed at restricting press coverage of the activities of leftist extremist groups. The new regulation will result in censorship of all news that is considered too critical of the government.

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Venezuela: Workers Strike Nationalized Iron Mines

President Perez may have to intervene once again to settle a bitter labor dispute that threatens to disrupt production in the recently nationalized iron ore industry.

For Perez, the situation presents a political and economic challenge to the government out of proportion to its economic impact and the numbers of workers involved. Nationalization of the iron-mining industry is regarded as a pilot project for the much more important nationalization of the multi-billion-dollar petroleum industry to take place later this year. A disruption in the production of iron ore would seriously embarrass the government and reinforce the fears of some in the private sector that the government is incapable of running a large nationalized industry.

The issues are the same that caused a similar wild-cat strike last January: the miners are concerned that lucrative benefits accumulated under contract with the previous owners--Bethlehem and US Steel--will be threatened by nationalization and are demanding the disbursement of the \$45 million deposited by the two US companies to guarantee these benefits. In January it took a dramatic speech by Perez and the threat of force to end the strike and get the miners to begin negotiations with the new mine operators--the semi-autonomous Corporacion Venezolana de Guayana. In the three months of relative labor peace that Perez' speech brought, neither the government nor the CVG has been able to satisfy the miners of the good faith of government guarantees that their contract benefits will be respected in a new contract with the CVG. The talks are deadlocked and, with both sides hardening their positions, more than a speech by Perez may be needed to end the new walkout. (CONFIDENTIAL)

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Venezuela: Petroleum Policy

There has been a further airing of differences within the administration over petroleum production goals.

Last week, Finance Minister Hector Hurtado informed local businessmen that petroleum production would be reduced from the current average of about 2.4 million barrels a day to 2.2 million by next year. Officials in the Ministry of Mines and Hydrocarbons immediately disputed this statement, contending that it was not cleared with Mines and Hydrocarbons Minister Valentin Hernandez, who believes current levels should be maintained. Hernandez has privately complained in the past that other cabinet ministers have tried to make policy end-runs around his office and on several occasions has threatened to resign over this issue.

Although recent production cuts have been greater than the government projected earlier because of weak world demand, the episode underscores the confusion within the government on major aspects of oil policy.

████████████████████ reports that this lack of coordination is adding to the woes of the government's economic bureaucracies that are already plagued by low morale, disorganization, and the departure of experienced personnel. Further resignations, particularly in the areas where economic policy is formulated, could seriously hamper the government's long-range economic plans. Further, the differences were publicly aired at the annual convention of the Venezuelan Chambers of Commerce, a conservative organization, whose members are skeptical of the government's economic programs and its ability to run the giant petroleum industry after nationalization.

The current dispute signals not only that the economic technicians in both ministries have not reconciled their basic differences and are prepared to make

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these public, but--what is more important--that personal ambitions and rivalries among petroleum policy makers in the cabinet have not been stilled. This situation will have to be resolved soon by Perez if a coherent petroleum policy is to emerge following nationalization and if the administration is to win the confidence of an important and influential segment of the private sector. (SECRET/NO FOREIGN DISSEM)

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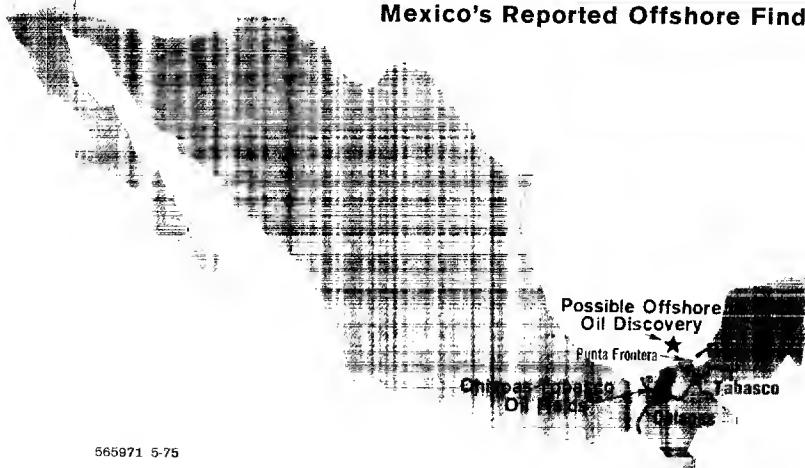
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Mexico's Reported Offshore Find



Mexico: Offshore Discovery Reported

Pemex, the Mexican state oil monopoly, reportedly has discovered oil about 8 miles offshore in the Punta Frontera area of the Gulf of Mexico. The flow rates of 12,000 b/d from depths of more than 12,000 feet strengthen suspicions that the rich Chiapas and Tabasco Fields extend well into the Gulf.

Pemex officials are not saying anything about activity at the offshore site, but several are known to have visited the United States early this month to examine the latest offshore producing equipment. If the Chiapas/Tabasco reservoirs do extend offshore, Mexican oil reserves probably will prove to be substantially larger than our present estimate of 20 billion barrels.

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Meanwhile, Pemex officials have privately confirmed that many Chiapas/Tabasco wells flow at high rates--frequently as much as 12,000-13,000 b/d and in some cases up to 35,000 b/d. Since present production and transport facilities cannot handle the full output of all 61 producing wells, they have been choked down to an average flow rate of 4,100 b/d.
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Cuban Foreign Minister's Job in Jeopardy

Foreign Minister Raul Roa is in jeopardy of losing his position of political prominence and of being put out to pasture. He could be removed from the party's Central Committee during the party congress next December and subsequently be replaced as foreign minister.

Roa himself is concerned over his future. Several events have apparently caused him to see the handwriting on the wall. The recent appointment of intelligence officer Norberto Hernandez Curbelo as ambassador to Venezuela, for example, has been interpreted by Roa as a sign of his loss of influence. He apparently had no voice in Hernandez' selection and considers him a poor choice. In fact, Roa seems to have been by-passed in the appointments of Cuban ambassadors to Peru, Argentina, Panama, and Colombia as well; all bear the imprint of Manuel Pineiro, chief of the party's American Department and former head of Cuba's Liberation Directorate, the office once in charge of Cuban subversion in Latin America.

Furthermore, Roa--long known for his vituperative verbal blasts--did little to enhance his prestige while in Lima last December prior to the foreign ministers' conference at Ayacucho. In publicly denouncing Chile's General Pinochet as "a degenerate son of a bitch," Roa embarrassed many high-ranking foreign officials and drew a reprimand from the Peruvians.

Roa reportedly expects Deputy Prime Minister Carlos Rafael Rodriguez to deliver the report on foreign affairs at the opening session of the party congress and interprets this, too, as a sign of his diminished stature. In fact, however, it is Rodriguez rather than Roa who functions as Cuba's highest official in the field of foreign affairs and it would be quite appropriate for Rodriguez to do the honors in this case.

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Roa holds the title of foreign minister, but his role has been that of an administrator, not a policy maker. He has acted as a conduit between the policy-making level--Rodriguez and the members of the party's General Department of Foreign Relations--and the policy implementing body--the Foreign Ministry, which he heads. Roa has been used as a spokesman at international conferences when a propaganda pitch was to be made, whereas substantive matters involving foreign policy have usually been handled by Rodriguez and other officials.

If Roa is not reelected to the party's Central Committee, that would be a likely indication that he will also lose his post of foreign minister and be assigned to less strenuous duties. The Castro regime might explain Roa's ouster by reference to his age--he is 68--and health. He might continue to be used selectively by the regime on occasions calling for a skilled propagandist, while devoting most of his time to writing his memoirs. (SECRET/NO FOREIGN DISSEM/NO DISSEM ABROAD/BACKGROUND USE ONLY/CONTROLLED DISSEM)

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URUGUAY-USSR: Fishing Talks

A Soviet fishing delegation to Montevideo failed to conclude a joint fishing agreement with Uruguay last week. Uruguay earlier had refused to allow Soviets to fish within the country's 200-mile territorial sea. Similar attempts by Poland and Bulgaria had also been rejected.

The joint venture scheme was unacceptable because it is contrary to Montevideo's fishing policy. Uruguay has decided that its fishing industry should limit itself to small ships using on-shore facilities. The Soviets propose investment in large factory ships. Uruguay also insisted that both partners share in all aspects of the venture, but the Soviets offered only to supply the ships, leaving the on-shore investments to the Uruguayans.

Latin America remains one of the few fishing areas the Soviet fishing fleet has not significantly penetrated. Moscow has honored the claims of several Latin American countries for a 200-mile fishing zone that allows fishing only by the country's nationals. Moscow views the joint venture approach as its best hope to gain fishing rights. (CONFIDENTIAL)

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Jamaica-Trinidad: Different Paths to the Same Goal

The prime ministers of the two most important Caribbean island members of the British Commonwealth --Jamaica and Trinidad--are actively promoting programs to increase the developing countries' share of the world's wealth. Both Michael Manley in Kingston and Eric Williams in Port of Spain recently presented their ideas on this subject as hosts of important international gatherings. There are substantial differences between the two leaders, however, on at least one subject--the role that the Latin countries should play in the economic development of the Caribbean.

The meeting of the British Commonwealth heads of government in Kingston, which ended on May 6, was a notable success for Manley. As chairman of the conference he enjoyed a unique opportunity to project his concept of a New International Economic Order, which calls for a substantial reform of the international monetary and financial system to benefit developing nations. He also strongly defended the right of these countries to form "producer associations." The meeting's final communique, called the "Concord of Kingston" by the Jamaican press, largely reflected Manley's thinking. In addition, the creation of a committee of Commonwealth economic experts to draw up a comprehensive program of practical measures directed at closing the gap between rich and poor countries will provide Manley another forum for projecting his ideas. He would like to appear in the role of spokesman for this group, rather than prime minister of Jamaica, when he addresses the UN General Assembly in September.

One of the very few Commonwealth heads of state not present in Kingston was Manley's neighbor Eric Williams, who was preoccupied with preparing for the 16th session of the UN Economic Commission for Latin America (ECLA) on May 6. Williams took a very active part in the conference, delivering both the opening and

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closing addresses, and securing approval for two major initiatives: a recommendation that the UN Commission on Trans-National Corporations establish a regional unit in Latin America for the surveillance of multi-national corporations in the region; and a proposal for the creation of a separate ECLA Caribbean Development and Cooperation Committee to be headquartered in Port of Spain. He also said that the maturing of the Caribbean as a distinct region warrants the establishment of a new executive director post for Caribbean countries in the Inter-American Development Bank.

The identity of the "Caribbean region" and the path it should take toward development are being given different interpretations by Manley and Williams. The Jamaican leader believes that the original Commonwealth Caribbean Community was merely a stepping stone toward a wider regional grouping, which would include the Caribbean Latin countries, especially Venezuela and Mexico, and would provide alternatives to traditional Jamaican dependence on the US and the UK. This initiative toward the Latins started last year and the pace has increased during 1975. Manley visited Venezuela in April and plans to go to Mexico late next month. He has signed agreements with both countries involving the exploitation of Jamaican bauxite--the country's major natural resource. Venezuela also agreed to supply Jamaica's pressing petroleum needs on advantageous terms.

Prime Minister Williams, on the other hand, has expressed concern that the Latin countries will use their economic power to "colonize" the Caribbean. He is principally concerned about the long shadow cast by his southern neighbor Venezuela, whose increasing presence in the Caribbean is hampering some of Williams' own plans to build up Trinidad's influence there. His reservations apparently do not extend to Brazil, with which Trinidad has expanded economic links during the past few years, perhaps partly as a counterbalance to Venezuela.

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Both prime ministers do seem to believe that Cuba is going to play an important part in Caribbean affairs and are improving their ties with Havana. Williams has accepted an invitation to visit Havana for the first time since Castro came to power, and Manley also reportedly intends to make a trip to Cuba. The Jamaican leader probably will discuss the growing Cuban technical assistance program. Last month the director of the Cuban agrarian reform institute led a team of experts to Jamaica to see what agricultural assistance could be provided, and on May 7 a group of 33 young Jamaicans left for Havana to study construction techniques. They will soon be joined by 150 others. (CONFIDENTIAL/NO FOREIGN DISSEM)

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Costa Rica: Stepping From the Shadows

When former president Jose Figueres left office a year ago this month many observers believed that it was only a matter of time before he would step from the shadows and try once again to exercise the considerable power he has held over Costa Rican politics since the late 1940s.

Over the past several months, the aging but irrepressible Don Pepe has increasingly let it be known that he has not been satisfied with the performance of his protege, President Daniel Oduber. The strong implication left by Figueres is that he was trying for a bigger piece of the political action, possibly even to the extent of resuming the presidency.

Figueres last week was agitating for change again. He told a business group that the country may need a constituent assembly to rectify the malaise of the Oduber administration. Describing himself as in a "spirit of protest," he warned that Costa Rica was in an "anarchic" state and that "our obligation is to change the course to something more efficient." One point in the constitution that Figueres is known to want changed is the section that prohibits ex-presidents from running again.

Figueres' talk about a constituent assembly indicates that he may have more ambitious objectives than simply amending the constitution to permit his re-election. A constitutional amendment would be a simpler and less disruptive way to do this, but Figueres, for example, charges that the present government institutions are "weak and inadequate to deal with the current economic problems." He may believe that a more tightly controlled political system is what Costa Rica needs. Some of the coup rumors currently floating around San Jose may be inspired by Figueres in order to bring

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pressure on Oduber to recommend constitutional changes or, failing that, be forced out of office.

All this has an improbable air about it and could be scoffed at as the prattle of a whimsical and slightly foolish ex-president if it were not for the fact that Figueres still has a great deal of political pull. Although there is no army in Costa Rica to back Figueres, he is well represented in the ruling National Liberation Party. His wing of the party is decidedly dissatisfied with Oduber, and some politicians are saying that the country would be better off under Don Pepe's highly paternalistic leadership.

Oduber's performance has in fact been generally lackluster and ineffective. Economic difficulties, high prices for food and raw materials, and a failure to live up to his promise of skillful and productive leadership have eroded his popularity.

Most Costa Ricans remain strongly attached to their country's democratic traditions and clearly prefer that Oduber bite the bullet, establish his clear independence of Figueres, and get to work in the three years left in his term. The challenge for Oduber is a delicate one of asserting his leadership while recognizing that he will be at a political disadvantage to Figueres, who as long as he is alive and in possession of his senses will attract political power and not hesitate to use it.

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Grenada: The Worsening Financial Situation

A little more than a year after independence, the government of Grenada teeters on the edge of insolvency, unable to meet even its civil service payroll of \$450,000 a month without outside aid. Given an ultimatum to pay April salaries by May 13 or face a strike by government workers, Prime Minister Eric Gairy postponed the day of reckoning by obtaining sufficient cash from the government of Nigeria, which has also promised to provide the May salaries and possibly to furnish some additional funds for development and other purposes. When the current aid is used up, probably in early June, Gairy will again face the prospect of a civil service strike. Whether the Nigerians or some other foreign source will rescue Gairy again seems very unlikely without a genuine Grenadian effort to cut the oversized public payroll and institute other reforms which would restore confidence and generate additional public revenues.

Since shortly after requesting an end to direct budgetary aid from the United Kingdom in 1970, the government of Grenada has stumbled from one financial crisis to another with no clear perception of how to begin to solve the problems of an increasingly depressed economy, severely limited resources, and underdevelopment. For a time it even turned to short-term, high-interest loans from foreign banks to finance its payroll. The strikes and violence that accompanied independence in 1974 crippled the tourist industry and dried up the already meager supply of private foreign investment.

In early May Gairy went out of his way to alienate the United Kingdom and as a result may have given other governments and international institutions second thoughts about assisting Grenada. At the Commonwealth Conference in Kingston and the ECLA Conference in Port of Spain,

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Gairy attacked the British for "economic cruelty." In an interview, he charged that they had exploited Grenada for 191 years and had committed crimes graver than those of Adolf Hitler. Gairy specifically accused Britain of renegeing on a promised \$240,000 independence gift and threatened to take his case to the UN and the International Court of Justice. He also repeated his oft-heard threat to seek help from the Communist countries.

If he had hoped to bully or blackmail the British, Gairy seriously miscalculated. The British High Commission in Port of Spain promptly revealed that the independence gift was withheld after it was discovered that Gairy's government had misappropriated \$600,000 in British development funds. The Commission further stated that the Grenadians had admitted culpability and had agreed in writing to make restitution by giving up the independence gift and repaying the balance in monthly installments during 1975-76, but had made only one so far. (CONFIDENTIAL)

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